

of war. The managers of the associated banks of the East recognized no such necessity until Secretary Chase began to flood the country⁷ with government paper money for which he had no means of redemption. They pointed out that transactions to the amount of \$20,000,000 were settled daily in New York, without coin or even notes and that the settlement of an additional one or two million dollars daily for the government could be easily effected by the same machinery. It was only necessary that the government should have in hand at any one time enough currency, even if it insisted upon coin, for the transactions of a few days, while the means of giving mobility to the capital and resources of the country constantly existed in the hands of the banks. When the Secretary showed himself immovable upon the subject of issuing irredeemable notes, the suggestion was made to him that, if this dangerous path must be trod, it could be done much more safely through the banks than directly through the Treasury. In the forcible language of Mr. George S. Coe, it was represented to Mr. Chase:¹

That if an irredeemable paper currency was the inevitable resort, it would be more expedient and economical for the government not to become involved in its dangers, but to impose the duty and responsibility of issuing the notes upon the banks, who would naturally be compelled to keep the day of redemption continually in view. Thus, as a suspension of coin payment was about to be declared, it was practicable to preserve from distribution and set aside the forty millions of coin then owned by the banks, together with one hundred and fifty or sixty millions of government bonds, which could be taken by them as a special security for two hundred millions of notes, which could then be immediately issued by the associated banks from their own plates, and be verified and made national by the stamp and signature of a government officer. And that such an issue, so supported by coin and bonds, at once simple and expeditious, would serve the temporary purpose required, with little if any deterioration below coin value ; and that it would be then practicable for the banks to continue, without further agitation, their advances. But the Secretary declined to entertain this suggestion ; preferring the system of national banks which he had already conceived.

¹ " Financial History of the War," *Bankers' Magazine*, Jan.. 1876.